



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF WATER

MEMORANDUM

SUBJECT: Proposed Water Infrastructure Finance and Innovation Act Loan Approval for the City of Waukesha

FROM: D. Lee Forsgren
Deputy Assistant Administrator

DENNIS FORSGREN Digitally signed by DENNIS FORSGREN
Date: 2020.07.29 09:25:35 -04'00'

TO: Andrew R. Wheeler
Administrator

PURPOSE

Attached for your signature is the U.S. Environmental Protection Agency's (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan approval package approving the direct loan to the City of Waukesha to finance the Great Lakes Water Supply Project in an amount of up to \$137.1 million. This is WIFIA's first loan in Wisconsin and Waukesha is the first entity to utilize Great Lakes water while sitting outside the drainage basin since the 2008 Great Lakes Compact was finalized. The WIFIA loan approval package includes the project approval memorandum, term sheet signature pages, and the loan agreement signature pages.

DEADLINE

I request that the approval package be signed no later than July 31, 2020, to facilitate a desired, imminent date for loan closing.

OVERVIEW

The WIFIA program was established by the Water Infrastructure Finance and Innovation Act of 2014. The WIFIA program's mission is to accelerate investment in our nation's water and wastewater infrastructure by providing long-term, low-cost supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance.

ANTICIPATED PUBLIC AND STAKEHOLDER RESPONSE

The WIFIA program's stakeholders, including government entities, utilities, and the water industry, are expected to respond positively. Additionally, this project is the WIFIA program's 26th loan to successfully reach financial close and may increase prospective borrowers' interest in future funding rounds. It marks over \$5.6 billion in total lending.

INTERNAL REVIEW PROCESS

Following the receipt of the application, the WIFIA program team conducted a rigorous review of the project, further evaluating the eligibility, engineering, and the credit of the project to ensure that it will function properly and that the federal government will have strong confidence in being repaid. The WIFIA program team also evaluated the technical aspects of both the project and the system. The WIFIA underwriter conducted a creditworthiness review, which included stress-testing of the borrower's financial model. The WIFIA credit risk team independently evaluated the credit and concluded that the loan poses limited risk to the program.

After reviewing the loan, the WIFIA Credit Council made the recommendation to approve the loan to the City of Waukesha on June 8, 2020.

The loan approval package was shared with the Office of General Counsel (OGC) following the Credit Council's recommendation and OGC has provided concurrence.

IMPACTS

The Great Lakes Water Supply Project will transition Waukesha's water supply from depleting radium-contaminated groundwater to Lake Michigan water. The project will obtain Lake Michigan water from the Milwaukee Water Works and then return treated wastewater to Lake Michigan. The project includes: (1) a water supply connection, (2) a 15.2 million gallons per day (MGD) water supply pumping station, (3) a 13.5 mile, 30-inch water supply pipeline, (4) two 10 million gallon reservoirs, (5) a 15.75 MGD booster pumping station, (6) chemical feed, (7) a distribution system connection, (8) improvements to the Utility's existing distribution system, (9) a 12 MGD return flow pumping station, (10) a 23.5 mile, 30-inch return flow pipeline, and (11) return flow facilities at Root River. The purpose of this project is to fully comply with state drinking water standards for radionuclide by September 1, 2023.

The project directly reflects the EPA's FY 2018-2022 Strategic Plan's Agency Priority Goal #2, which calls for increasing the non-federal dollars leveraged by the EPA for water infrastructure finance programs.

RECOMMENDATION

I recommend that you sign the project approval memorandum, term sheet signature pages, and the loan agreement signature pages.

Attachments

1. Credit Council Recommendation Memo
2. OD to AA Transmittal Memo
3. Approval Memo
4. Term Sheet signature pages
5. Loan Agreement signature pages
6. Factsheet
7. OGC Concurrence
8. Term Sheet